

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Holton Township	County Muskegon
Fiscal Year End 06/30/06	Opinion Date 08/02/06	Date Audit Report Submitted to State 08/12/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

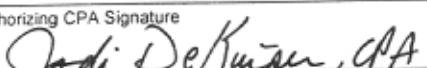
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Hendon & Slate, P.C.		Telephone Number 231-924-6890	
Street Address 711 West Main Street		City Fremont	State MI
		Zip 49412	
Authorizing CPA Signature 		Printed Name Jodi DeKuiper, CPA	
		License Number 1101021180	

**HOLTON TOWNSHIP
MUSKEGON COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

JUNE 30, 2006

TABLE OF CONTENTS

	<u>Page</u>
List of Principal Individuals	ii
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 5
BASIC FINANCIAL STATEMENTS	
Governmental Wide Statement of Net Assets	6
Governmental Wide Statement of Activities	7
Government Fund Balance Sheet	8
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	9
Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balance	10
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Net Assets - Fiduciary Funds	12
Notes to the Financial Statements	13-23
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparisons for Major Funds:	
General Fund	24
Fire Fund	25
Fire Equipment Fund	26
SUPPLEMENTAL INFORMATION:	
Combining Balance Sheet - Non-Major Governmental Funds	27
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds	28
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	29-33

HOLTON TOWNSHIP

Board Members

	<u>Position</u>
Mickey Noble	Supervisor
Bill Halbower	Treasurer
Melanie Johnson	Clerk
Anita Kittle	Trustee
Alan Wilson	Trustee



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



Township Board
Holton Township
Muskegon County
Holton, Michigan

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holton Township as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Townships' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Holton Township, Michigan as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 24 through 26, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Grand Rapids
2025 East Beltline SE
Suite 208
Grand Rapids, MI 49546
Phone (616) 954-3995
Fax (616) 954-3990

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231) 798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Whitehall
116 West Colby, Suite B
Century Building
Whitehall, MI 49461
Phone (231) 893-6772
Fax (231) 893-6773

Hart
1550 North Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

www.hscompanies.com



The CPA. Never Underestimate The Value.®

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Holton Township, Michigan's basic financial statements. The introductory section, combining and individual non major fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Hendon & Slate

Hendon & Slate, P.C.
Certified Public Accountants
August 2, 2006

HOLTON TOWNSHIP

Management's Discussion and Analysis (MD&A) For the Year Ended June 30, 2006

Using this Annual Report

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 3.4% from a year ago - increasing from \$1.24 million to \$1.80 million. The dollar amount of this increase is comparable to prior years and due mainly to additional investment in capital assets.

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
Current Assets	\$ 844,089	\$ 848,245
Noncurrent Assets	<u>535,774</u>	<u>528,070</u>
Total Assets	<u>\$ 1,379,863</u>	<u>\$ 1,376,315</u>
Long-Term Debt Outstanding	\$ 68,462	\$ 72,255
Other Liabilities	<u>31,626</u>	<u>66,530</u>
Total Liabilities	<u>\$ 100,088</u>	<u>\$ 138,785</u>
Net Assets		
Invested in Capital Assets-Net of Debt	\$ 467,312	\$ 422,085
Restricted	48,554	47,481
Unrestricted	<u>763,909</u>	<u>767,964</u>
Total Net Assets	<u>\$ 1,279,775</u>	<u>\$ 1,237,530</u>

Unrestricted net assets - the part of net assets that can be used to finance day to day operating, decreased by \$4,055 for the governmental activities. This represents an decrease of approximately .53%.

Management's Discussion and Analysis (Continued)

	Activities	
	<u>2006</u>	<u>2005</u>
Program Revenues		
Charges for Services	\$ 82,606	\$ 75,755
General Revenues		
Property Taxes	192,846	180,752
State Shared Revenues	194,733	195,237
Federal Revenues	1,373	-
Investment Earnings	20,028	10,827
Miscellaneous	32,097	22,418
Total Revenues	\$ 523,683	\$ 484,989
Program Expenses		
General Government	213,592	195,012
Public Safety	146,008	138,829
Public Works	68,841	60,551
Community/Economic Development	7,820	-
Recreation and Culture	12,938	20,540
Other	15,238	19,465
Unallocated Depreciation	13,473	10,915
Interest on Long-Term Debt	3,530	1,873
Total Expenses	481,440	447,185
Change in Net Assets	<u>\$ 42,243</u>	<u>\$ 37,804</u>

The Township's total net assets continue to remain healthy. The total revenues and expenses both increased slightly. As a result, net assets grew by \$42,243, \$4,439 more than last year.

Governmental Activities

The Township's total governmental revenues increased by \$38,694. The following revenues saw the largest increases: Property taxes increase by \$12,094 or 6.7%, interest increased by \$9,201 or 84.98%, charges for services increased by \$6,851 or 9.04% and refunds and miscellaneous increased by \$9,679 or 43.18%.

Expenses increased by \$34,255 over the prior year, partially due to increased utilities and insurance costs and partially due to increase road work completed during the year.

Business-Type Activities

The Township had no business type activities.

The Township's Fund

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2006 include the General Fund, the Fire Fund, and the Fire Equipment Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board did not find it necessary to amend the budget to take into account events during the year. However, the Board did have immaterial over-expenditures on several activities as reported in the notes to the financial statements.

Capital Asset and Debt Administration

At the end of 2006, the Township had \$829,409 invested in a broad range of capital assets, including land, buildings, fire trucks and equipment, and other vehicles and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the township's financial statements because of Michigan law, which makes these roads property of the Muskegon County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2007 calls for stagnant property taxes due to the limited allowed property value increases (the lesser of inflation or 5%). The Township also projects that state shared revenue will remain about the same. General Fund expenditures were budgeted for 29% increase from the previous budget, the majority of which is for cemetery development.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

HOLTON TOWNSHIP

Government Wide Statement on Net Assets June 30, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 799,012
Accounts Receivable	30,937
Accounts Receivable-Fiduciary Funds	4,353
Prepaid Insurance	9,787
Property and Equipment	829,409
Accumulated Depreciation	<u>(293,635)</u>
Total Assets	1,379,863
LIABILITIES	
Accounts Payable	19,355
Accrued Wages	8,332
Withheld and Accrued Payroll Taxes	2,244
Accrued Pension Costs	1,695
Capital Lease - Copier	2,992
Note Payable - Tractor and Trailer	701
Note Payable - Rescue Van	17,070
Note Payable - Fire Truck	<u>47,699</u>
Total Liabilities	<u>100,088</u>
NET ASSETS	
Invested in Capital Assets	
Net of Related Debt	467,312
Restricted for Perpetual Care	48,554
Unrestricted	<u>763,909</u>
Total Net Assets	<u><u>\$ 1,279,775</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

HOLTON TOWNSHIP

Government Wide Statement of Activities For the Fiscal Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expenses) Revenue and Changes in Net Assets Governmental Activities</u>
Primary Government			
General Government	\$ 213,592	\$ 7,944	\$ (205,648)
Public Safety	146,008	56,152	(89,856)
Public Works	68,841	18,510	(50,331)
Community/Economic Development	7,820	-	(7,820)
Recreation and Culture	12,938	-	(12,938)
Capital Outlay	15,238	-	(15,238)
Unallocated Depreciation	13,473	-	(13,473)
Interest on Long-Term Debt	3,530	-	(3,530)
Total Primary Government	<u>\$ 481,440</u>	<u>\$ 82,606</u>	<u>(398,834)</u>

General Revenues

Property Taxes - Levied for General Purpose	65,637
Property Taxes - Levied for Public Safety	127,209
State Sources	194,733
Federal Sources	1,373
Interest and Rents	20,028
Miscellaneous	32,097
Total General Revenues	<u>441,077</u>

Change in Net Assets	42,243
Net Assets - July 1, 2005	<u>1,237,532</u>
Net Assets - June 30, 2006	<u>\$ 1,279,775</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

HOLTON TOWNSHIP

Governmental Fund Balance Sheet June 30, 2006

	General Fund	Fire Fund	Fire Equipment Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 416,803	\$ 218,364	\$ 91,190	\$ 72,655	\$ 799,012
Accounts Receivable	30,937	-	-	-	30,937
Due from Other Funds	28,909	-	-	10,095	39,004
Total Assets	<u>\$ 476,649</u>	<u>\$ 218,364</u>	<u>\$ 91,190</u>	<u>\$ 82,750</u>	<u>\$ 868,953</u>
LIABILITIES					
Accounts Payable	\$ 18,009	\$ 938	\$ -	\$ 408	19,355
Withheld and Accrued					
Payroll Taxes	1,621	599	-	24	2,244
Accrued Pension Costs	558	1,137	-	-	1,695
Accrued Wages	7,229	978	-	125	8,332
Due to Other Funds	-	27,715	6,004	932	34,651
Total Liabilities	27,417	31,367	6,004	1,489	66,277
FUND BALANCES					
Unrestricted	449,232	186,997	85,186	32,707	754,122
Restricted	-	-	-	48,554	48,554
Total Fund Balances	449,232	186,997	85,186	81,261	802,676
Total Liabilities and Fund Balances	\$ 476,649	\$ 218,364	\$ 91,190	\$ 82,750	\$ 868,953

The Notes to the Financial Statements are an Integral Part of this Statement.

HOLTON TOWNSHIP

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets For the Fiscal Year Ended June 30, 2006

Total Governmental Fund Balances	\$	802,676
----------------------------------	----	---------

Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Prepaid Insurance reflects amounts that will be used in a future period.		9,787
--	--	-------

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	829,409
Governmental Accumulated Depreciation	(293,635)

Long-term liabilities, including notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net assets that are not reported in the funds balance sheet are:

General Obligation Debt	<u>(68,462)</u>
-------------------------	-----------------

Total Net Assets - Governmental Activities:	<u>\$</u>	<u>1,279,775</u>
---	-----------	------------------

The Notes to the Financial Statements are an Integral Part of this Statement.

HOLTON TOWNSHIP

Governmental Fund Statements of Revenue,
Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2006

	General Fund	Fire Fund	Fire Equipment Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 65,637	\$ 88,689	\$ 30,992	\$ 7,528	\$ 192,846
Licenses and Permits	28,805	-	-	-	28,805
State Sources	193,598	-	-	1,135	194,733
Federal Sources	-	-	-	1,373	1,373
Charges for Services	23,284	30,517	-	-	53,801
Interest and Rents	15,670	4,815	1,766	1,552	23,803
Refunds and Reimbursements	20,911	-	-	-	20,911
Other	5,693	1,055	-	663	7,411
Total Revenues	353,598	125,076	32,758	12,251	523,683
EXPENDITURES					
General Government	\$ 214,357	\$ -	\$ -	\$ -	214,357
Public Safety	29,192	91,784	3,530	1,966	126,472
Public Works	44,159	-	-	24,682	68,841
Community and Economic Development	7,820	-	-	-	7,820
Recreation and Culture	12,938	-	-	-	12,938
Capital Outlay	45,194	15,238	-	-	60,432
Debt Service	9,480	-	28,043	-	37,523
Total Expenditures	363,140	107,022	31,573	26,648	528,383
Excess Revenue Over Under) Expenditures	(9,542)	18,054	1,185	(14,397)	(4,700)

OTHER FINANCING SOURCES (USES)

Operating Transfers In (Out)	(12,755)	-	-	12,755	-
Sale of Fixed Assets	-	-	-	-	-
Proceeds from Long-Term Debt	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(12,755)</u>	<u>-</u>	<u>-</u>	<u>12,755</u>	<u>-</u>
Excess Revenues and Other Financing Sources					
Over(Under) Expenditures and Other					
Financing (Uses)	(22,297)	18,054	1,185	(1,642)	(4,700)
Fund Balance - July 1, 2005	<u>471,529</u>	<u>168,943</u>	<u>84,001</u>	<u>82,903</u>	<u>807,376</u>
Fund Balance - June 30, 2006	<u>\$ 449,232</u>	<u>\$ 186,997</u>	<u>\$ 85,186</u>	<u>\$ 81,261</u>	<u>\$ 802,676</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

HOLTON TOWNSHIP

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	(4,700)
--	----	---------

Amounts reported for governmental activities in the statement of activities are different because:

Prepaid Insurance reflects amounts that will be used in a future period.

Current Year Prepaid Insurance	9,787	
Prior Year Prepaid Insurance	<u>(8,071)</u>	1,716

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense

Capital outlay reported in governmental fund statements	60,432	
Capital outlay reported as expenses in statement of activities	(15,238)	
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) in assets	-	
Depreciation expense reported in the statement of activities	<u>(37,490)</u>	7,704

Proceeds from debt issues are another financing source in the funds, but a debt issue increases long-term obligation in the statement of net assets.

-

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities.

Proceeds from long-term debt reported in governmental fund statements.

-

The amount of debt principal payments in the current year is:	<u>37,523</u>
---	---------------

Changes in Net Assets - Governmental Activities	<u>\$</u>	<u>42,243</u>
---	-----------	---------------

The Notes to the Financial Statements are an Integral Part of this Statement.

HOLTON TOWNSHIP

Statement of Net Assets - Fiduciary Funds June 30, 2006

	<u>Tax Fund</u>	<u>Trust and Agency Fund</u>
ASSETS		
Cash and Investments	\$ 3,898	\$ 1,753
LIABILITIES		
Due to Other Funds	3,898	455
Due to Other Units	<u>-</u>	<u>1,298</u>
Total Liabilities	3,898	1,753
NET ASSETS		
Unreserved	<u>\$ -</u>	<u>\$ -</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

HOLTON TOWNSHIP

Notes to the Financial Statements For the Year Ended June 30, 2006

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Holton Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by Holton Township.

A. Reporting Entity

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

1. State Shared Revenue Receivable

State Shared Revenue is distributed in six installments per year. Often the last payment has not been received by June 30; therefore, a receivable is recorded for this amount. For fiscal year-end June 30, 2006, this amount was \$27,654.

2. Property Taxes Receivable

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2005 delinquent taxes of \$27,911 were received in June 2006, thus no taxes receivable has been recorded.

The 2005 taxable valuation of the Township totaled \$45,782,039 on which ad valorem taxes levied consisted of 1.1078 mills for general operating, .6838 mills for fire equipment, and 1.9561 mills for fire operating raising \$65,637 for operating, \$30,992 for fire equipment and \$88,689 for fire operational. The Township also collects property taxes for street lights, the taxable value is \$4,507,329 and the millage rate is 1.700 which raised \$7,528. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenue.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire fund accounts for the resources of property tax revenue and charges for services that are restricted for fire protection purposes.

The Fire Equipment Fund accounts for property tax revenues that are restricted for the purchase of fire/emergency equipment.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Fund Balance

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Inventories and Prepaid Items - Payments for inventorable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year end.

Restricted Assets - Cash in the Perpetual Care Fund is restricted. The corpus can not be spent, however income earned from the restricted cash may be used to maintain the cemetery.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
General Equipment	5 to 10 years
Fire Trucks	15 to 20 years

Salvage value is estimated at 10% of cost

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick pay benefits. Vacation benefits do not accumulate. Any unused vacation is paid annually. Sick pay was not accrued at the beginning or end of the year as the amount was immaterial.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. All Township long-term debt is related to equipment purchases.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Township approves its originally adopted budget by the end of the current fiscal year. Amendments are approved periodically during the year.

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Township does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>
General Fund - Treasurer	\$ 15,096	\$ 15,613
General Fund - Rental Administration	4,000	4,502
General Fund - Roads	10,000	10,170
General Fund - Parks	34,575	34,588
Fire Fund - Contracted Service	4,000	4,135
Fire Fund - Insurance	15,000	15,420
Fire Equipment Fund - Debt Service	30,000	31,573

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated six banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and CD's, bankers' acceptances of United States banks, and mutual funds under the Investment Company Act of 1940, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

The Township's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and Cash Equivalents	\$ 799,012	\$ 5,651	\$ 804,663

The bank balance of the Township's deposits is \$827,103, of which \$404,323 is covered by federal depository insurance, \$40,243 is uninsured and \$378,520 is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Township's name.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

Notes to the Financial Statements (continued)

Depositories actively used by the Township during the year are detailed as follows:

1. Chemical Bank
2. Fifth Third Bank
3. Valley Ridge Bank
4. National City Bank
5. Shelby State Bank
6. Huntington Bank

NOTE D RECEIVABLES

Receivables as of year-end for the Township's individual major and nonmajor funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

	General Fund	Fire Fund	Fire Equipment Fund	Non-Major and Other Funds	Total
State Shared Revenue	\$ 27,654	\$ -	\$ -	\$ -	\$ 27,654
Fiduciary Funds	4,353	-	-	-	4,353
Other Gross Receivables	3,283	-	-	-	3,283
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Receivables	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 35,290</u></u>

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being depreciated				
Land	\$ 149,335	\$ -	\$ -	\$ 149,335
Capital Assets Being Depreciated				
Buildings	135,360	-	-	135,360
Land Improvements	25,252	45,194	-	70,446
General Equipment	61,454	-	-	61,454
Fire Equipment	<u>412,814</u>	<u>-</u>	<u>-</u>	<u>412,814</u>
Subtotal	634,880	45,194	-	680,074

Notes to the Financial Statements (continued)

Less Accumulated Depreciation for				
Buildings	41,267	2,495	-	43,762
Land Improvements	707	3,314	-	4,021
General Equipment	17,942	7,664	-	25,606
Fire Equipment	<u>196,229</u>	<u>24,017</u>	<u>-</u>	<u>220,246</u>
Subtotal	<u>256,145</u>	<u>37,490</u>	<u>-</u>	<u>293,635</u>
Net Capital Assets being depreciated	<u>378,735</u>	<u>7,704</u>	<u>-</u>	<u>386,439</u>
Total Governmental Activities Capital Assets - Net of Depreciation	<u>\$ 528,070</u>	<u>\$ 7,704</u>	<u>\$ -</u>	<u>\$ 535,774</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Public Safety	\$ 24,017
Unallocated	<u>13,473</u>
Total Governmental Activities	<u>\$ 37,490</u>

NOTE F INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund (Due From)		Payable Fund (Due To)	
General Fund	\$28,909	Fire Fund	\$ 27,715
Liquor License	252	Fire Equipment Fund	6,004
Road , Sidewalk, Bridges	-	Perpetual Care Fund	932
Street Light	9,843	Trust & Agency Fund	455
		Tax Account	3,898
	<u>\$39,004</u>		<u>\$ 39,004</u>

Interfund Transfers

	<u>Transfers (Out)</u>
	<u>General Fund</u>
Transfers In	
Non-Major Governmental Funds	12,755
Transfers Out	
General Fund	(12,755)

Notes to the Financial Statements (continued)

NOTE G LEASES

Capital Leases - The government has entered into a lease agreement as lessee for financing the purchase of copy machines. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value is as follows:

<u>Year Ended</u>	
2007	1,375
2008	1,375
2009	<u>573</u>
Total Minimum Lease Payments	3,323
Less: Amounts Representing Interest	<u>(331)</u>
Present Value	<u><u>\$ 2,992</u></u>

NOTE H LONG-TERM DEBT

The Township entered into an agreement to refurbish a fire truck for \$62,455. Payments of \$3,476,07, including 4.39% interest are due quarterly from July 1, 2005 to August 15, 2004 to April 1, 2010. The loan is collateralized by the truck and the full faith and credit of the Township.

The Township entered into an agreement to purchase equipment for \$27,733. A down payment of \$2,500 was made upon delivery, July 23, 2003, with the balance to be financed over 36 months. Payments of \$700.90, including 9% interest, are due monthly from August 23, 2003 to July 23, 2006. The loan is collateralized by the equipment and the full faith and credit of the Township.

The Township entered into an agreement to purchase a fire rescue van on October 27, 2003 for \$52,895. The full amount is financed over 4 years, with payments of \$3,548.26, including 3.5% interest paid quarterly commencing December 27, 2003 and ending September 27, 2007. The loan is collateralized by the rescue van and the full faith and credit of the Township.

Contractual obligation activity can be summarized as follows:

Governmental Activities	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balances</u>	<u>Additions (Reductions)</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Installment Purchase Agreements						
Fire Rescue Van	3.50%	9/27/07	\$ 30,357	(13,287)	\$ 17,070	\$ 13,920
Fire Truck	4.39%	4/1/10	62,455	(14,756)	47,699	8,951
Equipment	0.00%	7/23/06	9,112	(8,411)	701	701
			<u>\$ 101,924</u>	<u>\$ (36,454)</u>	<u>\$ 65,470</u>	<u>\$ 23,572</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End June 30</u>	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2007	23,572	1,887
2008	15,550	1,532
2009	12,953	951
2010	13,395	373
	<u>\$ 65,470</u>	<u>\$ 4,743</u>

NOTE I RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE J EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Contribution Pension Plan

The Township provides pension benefits to all of its elected officials and full time employees through a defined contribution plan administered by Manufacturers Life Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate on August 1st of each year. As established by the Township Board, the plan is funded by participants to the extent they elect to defer their compensation into the plan, and by a matching contribution from the Township. The Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately upon deposit of the contribution by the Township. The Township's current year pension cost was \$6,522. The Township paid \$6,350 during the year, including participant fees. \$5,005 was paid on behalf of the employees in the current year. The contribution is 10% of covered wages, with the Township contributing 50% of the cost and the employees 50%. Covered payroll for the current year is \$100,170; and total payroll is \$144,836.

Notes to the Financial Statements (continued)

NOTE K PERMITS

Public Act 245 of 1999 (The Stille-Derossett-Hale Single State Construction Code Act) restricts the use of fees collected under this Act for the operation of the enforcing agency and/or the Construction Board of Appeals effective January 1, 2000. The following is the required accounting for such fees:

Beginning Excess Costs Over Fees Collected	\$ (17,723)
Fees Collected 2006	25,635
Wages, Professional Fees and Other Expenses	<u>(24,597)</u>
Excess Costs Over Fees Collected	<u><u>\$ (16,685)</u></u>

HOLTON TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for the General Fund For the Year Ended June 30, 2006

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 471,529	\$ 471,529	\$ 471,529	\$ -
Resources (Inflows)				
Property Taxes	67,810	67,810	65,637	(2,173)
Licenses and Permits	33,850	33,850	28,805	(5,045)
State Shared Revenue	196,845	196,845	193,598	(3,247)
Charges for Services	26,050	26,050	23,284	(2,766)
Interest and Rents	22,150	22,150	15,670	(6,480)
Refunds and Reimbursements	11,400	11,400	20,911	9,511
Other	<u>600</u>	<u>600</u>	<u>5,693</u>	<u>5,093</u>
Amounts Available for Appropriation	830,234	830,234	825,127	(5,107)
Charges to Appropriations (Outflows)				
General Government	271,476	271,476	239,687	31,789
Public Safety	37,212	37,212	29,192	8,020
Public Works	45,616	45,616	44,159	1,457
Community and Economic Development	17,906	17,906	7,820	10,086
Recreation and Culture	45,275	45,275	42,282	2,993
Operating Transfers Out	<u>25,000</u>	<u>25,000</u>	<u>12,755</u>	<u>12,245</u>
Total Charges to Appropriation	<u>442,485</u>	<u>442,485</u>	<u>375,895</u>	<u>66,590</u>
Budgetary Fund Balance-June 30, 2006	<u>\$ 387,749</u>	<u>\$ 387,749</u>	<u>\$ 449,232</u>	<u>\$ 61,483</u>

HOLTON TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for the Fire Fund For the Year Ended June 30, 2006

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 36,646	\$ 36,646	\$ 168,943	\$ 132,297
Resources (Inflows)				
Property Taxes	80,934	80,934	88,689	7,755
Charges for Services	27,799	27,799	30,517	2,718
Interest	5,000	5,000	4,815	(185)
Other	<u>5,000</u>	<u>5,000</u>	<u>1,055</u>	<u>(3,945)</u>
Amounts Available for Appropriation	155,379	155,379	294,019	138,640
Charges to Appropriations (Outflows)				
Wages and Fringes	40,000	40,000	35,905	4,095
Supplies	6,000	6,000	4,159	1,841
Contracted Services	4,000	4,000	4,135	(135)
Professional Services	7,000	7,000	6,296	704
Education and Training	4,000	4,000	3,296	704
Transportation	4,500	4,500	3,456	1,044
Printing and Publishing	1,000	1,000	90	910
Insurance	15,000	15,000	15,420	(420)
Utilities	8,000	8,000	7,636	364
Repairs and Maintenance	25,000	25,000	10,913	14,087
Miscellaneous	10,000	10,000	478	9,522
Capital Outlay	<u>25,000</u>	<u>25,000</u>	<u>15,238</u>	<u>9,762</u>
Total Charges to Appropriation	<u>149,500</u>	<u>149,500</u>	<u>107,022</u>	<u>42,478</u>
Budgetary Fund Balance-June 30, 2006	<u>\$ 5,879</u>	<u>\$ 5,879</u>	<u>\$ 186,997</u>	<u>\$ 181,118</u>

HOLTON TOWNSHIP

Required Supplementary Information
Budgetary Comparison Schedule for the Fire Equipment Fund
For the Year Ended June 30, 2006

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 6,608	\$ 6,608	\$ 84,001	\$ 77,393
Resources (Inflows)				
Property Taxes	28,352	28,352	30,992	2,640
Interest	1,200	1,200	1,766	566
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts Available for Appropriation	36,160	36,160	116,759	80,599
Charges to Appropriations				
Debt Service	30,000	30,000	31,573	(1,573)
Other	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total Charges to Appropriation	<u>35,000</u>	<u>35,000</u>	<u>31,573</u>	<u>3,427</u>
Budgetary Fund Balance-June 30, 2006	<u><u>\$ 1,160</u></u>	<u><u>\$ 1,160</u></u>	<u><u>\$ 85,186</u></u>	<u><u>\$ 84,026</u></u>

HOLTON TOWNSHIP

Combining Balance Sheet Non-Major Governmental Funds June 30, 2006

Special Revenue Funds

	Fire Volunteer	Liquor License	Street Lights	Roads, Sidewalks & Bridges	Perpetual Care	Total Non-Major Governmental Funds
ASSETS						
Cash and Investments	\$ 861	\$ 842	\$ 21,466	\$ -	\$ 49,486	\$ 72,655
Due from Other Funds	-	252	9,843	-	-	10,095
Total Assets	<u>\$ 861</u>	<u>\$ 1,094</u>	<u>\$ 31,309</u>	<u>\$ -</u>	<u>\$ 49,486</u>	<u>\$ 82,750</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ 408	\$ -	\$ -	\$ 408
Withheld and Accrued						
Payroll Taxes	-	24	-	-	-	24
Accrued Wages	-	125	-	-	-	125
Due to Other Funds	-	-	-	-	932	932
Total Liabilities	-	149	408	-	932	1,489
FUND BALANCES						
Fund Balances - Unreserved	861	945	30,901	-	-	32,707
Fund Balances - Reserved	-	-	-	-	48,554	48,554
	<u>861</u>	<u>945</u>	<u>30,901</u>	<u>-</u>	<u>48,554</u>	<u>81,261</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 149</u>	<u>\$ 408</u>	<u>\$ -</u>	<u>\$ 49,486</u>	<u>\$ 50,043</u>

HOLTON TOWNSHIP

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds For the Fiscal Year Ended June 30, 2006

	Special Revenue Funds					Total Non-Major Governmental Funds
	Fire Volunteer	Liquor License	Street Lights	Roads, Sidewalks & Bridges	Perpetual Care	
REVENUES						
Taxes	\$ -	\$ -	\$ 7,528	\$ -	\$ -	\$ 7,528
State Sources		1,135	-	-	-	1,135
Federal Sources		-	-	1,373	-	1,373
Interest	25	16	438	-	1,073	1,552
Other	663	-	-	-	-	663
Total Revenues	688	1,151	7,966	1,373	1,073	12,251
EXPENDITURES						
Public Safety	351	1,615	-	-	-	1,966
Public Works	-	-	4,764	19,918	-	24,682
Total Expenditures	351	1,615	4,764	19,918	-	26,648
Excess Revenue Over (Under) Expenditures	337	(464)	3,202	(18,545)	1,073	(14,397)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In (Out)	-	1,279	-	11,476	-	12,755
Excess Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing (Uses)	337	815	3,202	(7,069)	1,073	(1,642)
Fund Balance - July 1, 2005	524	130	27,699	7,069	47,481	82,903
Fund Balance - June 30, 2006	\$ 861	\$ 945	\$ 30,901	\$ -	\$ 48,554	\$ 81,261

HOLTON TOWNSHIP

Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES			
Property Taxes	\$ 67,810	\$ 65,637	\$ (2,173)
Licenses and Permits	33,850	28,805	(5,045)
State Shared Revenue	196,845	193,598	(3,247)
Charges for Services			
Sale of Lots/Burial Fees	6,050	4,774	(1,276)
Dump Fees	20,000	18,510	(1,490)
Interest	19,150	11,895	(7,255)
Rentals	3,000	3,775	775
Refunds and Rebates	6,500	16,326	9,826
Franchise Fees	4,900	4,585	(315)
Other	<u>600</u>	<u>5,693</u>	<u>5,093</u>
Total Revenues	358,705	353,598	(5,107)
EXPENDITURES			
General Government			
Township Board			
Salaries and Wages		<u>20,050</u>	
	22,883	20,050	2,833
Supervisor			
Salaries and Wages		11,480	
Transportation		215	
Education and Training		760	
Miscellaneous		<u>145</u>	
	13,130	12,600	530
Elections			
Salaries and Wages		1,418	
Supplies		755	
Professional Services		59	
Transportation		13	
Education and Training		<u>48</u>	
	\$ 4,950	2,293	\$ 2,657

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Assessor and Board of Review

Salaries and Wages	\$	315	
Professional Services		<u>22,384</u>	

\$	24,200	22,699	\$	1,501
----	--------	--------	----	-------

Clerk

Salaries and Wages	12,128
Supplies	408
Professional Services	400
Transportation	353
Miscellaneous	<u>68</u>

14,680	13,357	1,323
--------	--------	-------

Treasurer

Salaries and Wages	13,691
Supplies	860
Professional Services	100
Transportation	812
Miscellaneous	<u>150</u>

15,096	15,613	(517)
--------	--------	-------

Township Hall and Grounds

Salaries and Wages	17,390
Supplies	3,969
Transportation	28
Repairs and Maintenance	11,867
Contracted Services	3,249
Utilities	10,436
Miscellaneous	1,447
Capital Outlay	17,382
Debt Service	<u>1,375</u>

71,531	67,143	4,388
--------	--------	-------

Cemetery

Salaries and Wages	17,359
Supplies and Repairs	824
Contracted Services	2,384
Utilities	201
Fuel & Oil	2,356
Miscellaneous	724
Capital Outlay	575
Debt Service	<u>8,411</u>

30	\$	48,656	\$	32,834	\$	15,822
----	----	--------	----	--------	----	--------

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

General Government			
Payroll Taxes		\$ 4,284	
Pension		3,567	
Administration		7,474	
Professional Services		11,005	
Contracted Services		3,022	
Printing & Publishing		3,181	
Insurance & Bonds		15,865	
Dues		1,172	
Repair and Maintenance		3,331	
Miscellaneous		197	
	<u>\$ 56,350</u>	<u>53,098</u>	<u>\$ 3,252</u>
Total General Government	271,476	239,687	31,789
Public Safety			
Building Inspection			
Professional Services		12,112	
Miscellaneous		149	
	15,000	12,261	2,739
Electrical Inspection			
Professional Services		3,198	
Miscellaneous		154	
	4,500	3,352	1,148
Mechanical Inspection			
Professional Services		1,453	
Miscellaneous		78	
	3,500	1,531	1,969
Plumbing Inspection			
Professional Services		1,737	
Miscellaneous		114	
	4,000	1,851	2,149
Building Official			
Professional Services	\$ 1,200	\$ 1,100	\$ 100

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Rental Administration			
Professional Services		\$ 3,764	
Supplies		175	
Transportation		263	
Miscellaneous		<u>300</u>	
	\$ 4,000	4,502	\$ (502)
Ordinance Administration/Enforcer			
Salaries and Wages		4,262	
Transportation		<u>333</u>	
	<u>5,012</u>	<u>4,595</u>	<u>417</u>
Total Public Safety	37,212	29,192	8,020
Public Works			
Transfer Station			
Salaries and Wages		3,127	
Supplies		39	
Contracted Services		30,421	
Utilities		<u>2</u>	
	35,116	33,589	1,527
Roads, Sidewalks, and Bridges	10,000	10,170	(170)
County Drains	<u>500</u>	<u>400</u>	<u>100</u>
Total Public Works	45,616	44,159	1,457
Community/Economic Development			
Planning Commission			
Salaries and Wages		3,244	
Supplies		<u>39</u>	
	12,330	3,283	9,047
Zoning Administration			
Salaries and Wages		3,748	
Transportation		200	
Miscellaneous		<u>5</u>	
	\$ 4,906	\$ 3,953	\$ 953

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Board of Appeals			
Wages		\$ 575	
Transportation		9	
	<u>\$ 670</u>	<u>584</u>	<u>\$ 86</u>
Total Community/Economic Development	17,906	7,820	10,086
Recreation and Cultural			
Parks			
Supplies		691	
Contracted Services		1,436	
Utilities		267	
Capital Outlay		<u>32,194</u>	
	34,575	34,588	(13)
Library			
Supplies		115	
Professional Services		3,416	
Repairs and Maintenance		3,261	
Utilities		<u>902</u>	
	<u>10,700</u>	<u>7,694</u>	<u>3,006</u>
Total Recreation and Cultural	<u>45,275</u>	<u>42,282</u>	<u>2,993</u>
Total Expenditures	<u>417,485</u>	<u>363,140</u>	<u>54,345</u>
Excess Revenues Over (Under) Expenditures	(58,780)	(9,542)	49,238
OTHER FINANCING SOURCES (USES)			
Operating Transfers Out	<u>(25,000)</u>	<u>(12,755)</u>	<u>12,245</u>
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>(12,755)</u>	<u>12,245</u>
Excess Revenues and Sources Over (Under) Expenditures and Uses	(83,780)	(22,297)	61,483
Fund Balance - July 1, 2005	<u>471,529</u>	<u>471,529</u>	<u>-</u>
Fund Balance - June 30, 2006	<u>\$ 387,749</u>	<u>\$ 449,232</u>	<u>\$ 61,483</u>

HS & Companies



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



August 10, 2006

Township Board
Holton Township
P.O. Box 328
Holton, MI 49425

Dear Board Members:

We have audited the financial statements of Holton Township as of and for the year ended June 30, 2006 and issued our report thereon dated August 2, 2006. As a part of our audit, we studied and evaluated the Township's accounting and administrative controls as well as compliance with laws having a bearing on the fair presentation of your financial statements. Because this study was only part of the overall audit plan, it is not intended to be a complete review of all your accounting procedures; and, therefore, would not necessarily disclose all weaknesses in your system. Accordingly, we offer the following comments and recommendations:

Books and Records

The books and records were in good shape again this year. We would like to commend the clerk and treasurer for working together during this year of transition. We have a few recommendations which we believe will ensure proper postings to the different funds.

Cash Balances

During the audit we found that the breakdown of cash balances per fund reported in the QuickBooks balance sheet did not reflect the correct balances when compared to the receipts and disbursements posted to the individual funds. Essentially transactions are crossing funds creating an imbalance in the cash accounts. To ensure the pooled cash account is being allocated properly between the funds, we recommend reconciling the receipts and disbursements posted in the profit and loss statement to the cash balances in the balance sheet. This reconciliation will look very similar to the treasurer reports of the past. We have discussed this issue with the treasurer and the steps that need to be taken to reconcile the cash balances per fund.

Grand Rapids
2025 East Beltline SE
Suite 208
Grand Rapids, MI 49546
Phone (616) 954-3995
Fax (616) 954-3990

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231) 798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Whitehall
116 West Colby, Suite B
Century Building
Whitehall, MI 49461
Phone (231) 893-6772
Fax (231) 893-6773

Hart
1550 North Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

www.hscompanies.com



The CPA. Never Underestimate The Value.®

August 10, 2006

Page 2

Payroll Taxes and Pension

As noted in prior audits, all pension, social security, and medicare expenses are being posted to the general fund. These expenses should be allocated to each fund based upon payroll expenses. We have discussed this issue with the Clerk and Treasurer and recommend assistance with Quickbooks to properly set up the above noted expenses.

By making the above changes this will help insure cash, revenues, and expenses are being properly reported across the various funds. The above transactions have been recorded at year end and have resulted in large interfund balances. We also recommend that these balances be cleared either through transfers or payments to the affected funds.

Transfer Station

There was a minimal increases the transfer station revenues and a minimal decrease in operating expenditures this year, resulting in a deficit of \$15,078. However, it has been noted that the deposits are often several weeks delinquent. We are optimistic that, with the installation of a drop box, deposits will be made timely. We are pleased to note that the collections are being reviewed periodically for reasonableness.

Chart of Accounts

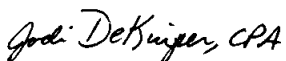
We noted some minor differences between the Township's Chart of Accounts and the Michigan Department of Treasury Uniform Chart of Accounts for Counties and Local Units of Government. We recommend the Township review the enclosed chart of accounts and change Quickbooks as necessary

Budgeting

We have noted in the past that the budget is not in compliance with the Michigan Department of Treasury guidelines. Although, this is the case again this year, we are happy to see the preliminary 2006-07 budget is in compliance. Also, in regards to the budget, the Township does have some overexpenditures. However, we are also pleased to note all budget overexpenditures this year were immaterial to the financial statements and caused in part by audit adjustments.

It has been a pleasure working with Holton Township and the courtesy extended to us. If you have any questions or would like help implementing any of the above procedures, please let us know.

Respectfully submitted,



Jodi DeKuiper, CPA
Hendon & Slate, P.C.
Certified Public Accountants